

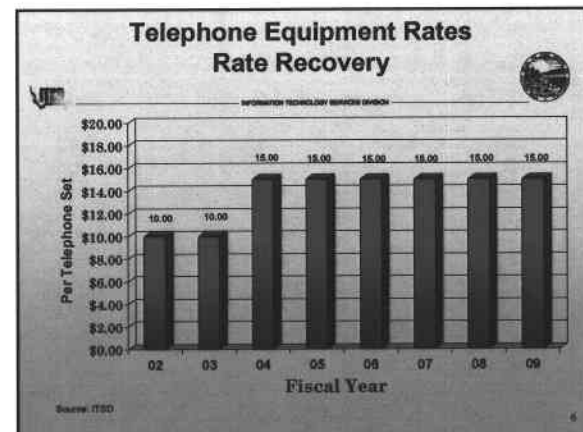
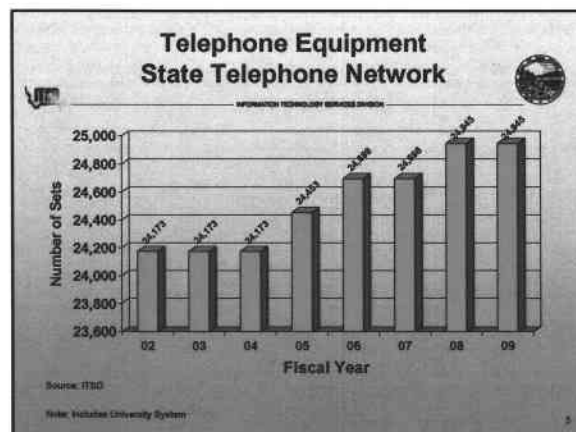
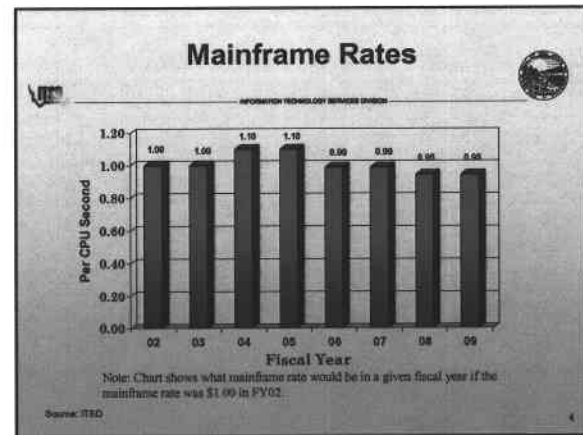
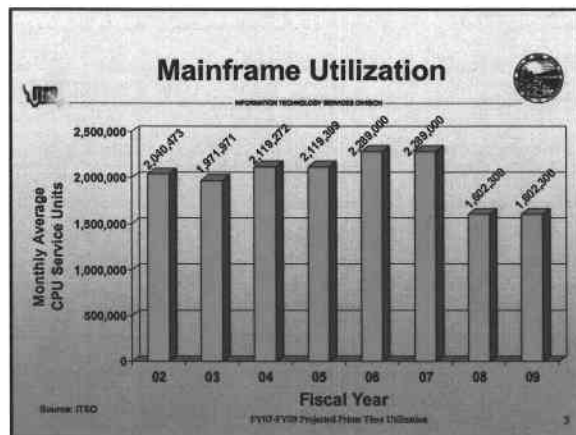
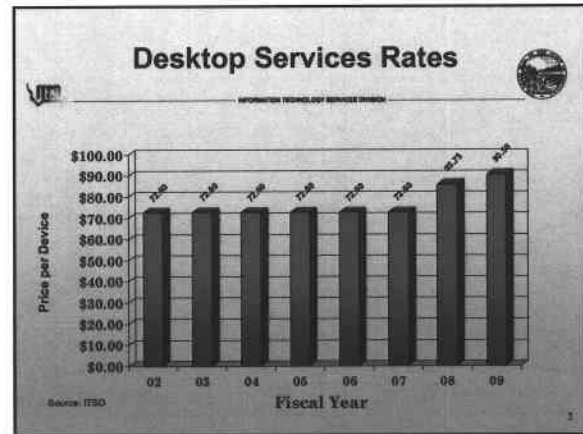
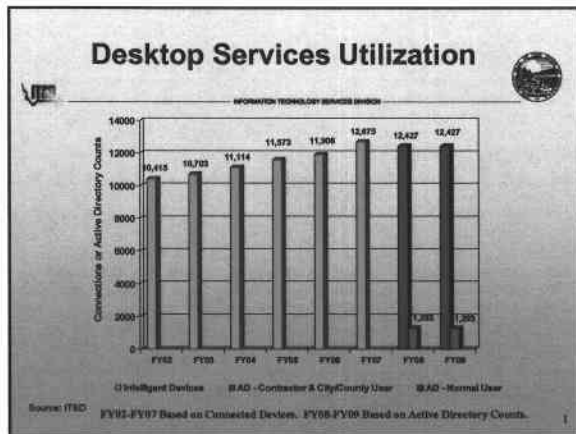
**INFORMATION TECHNOLOGY SERVICES DIVISION
COST RECOVERY INFORMATION SYSTEM**

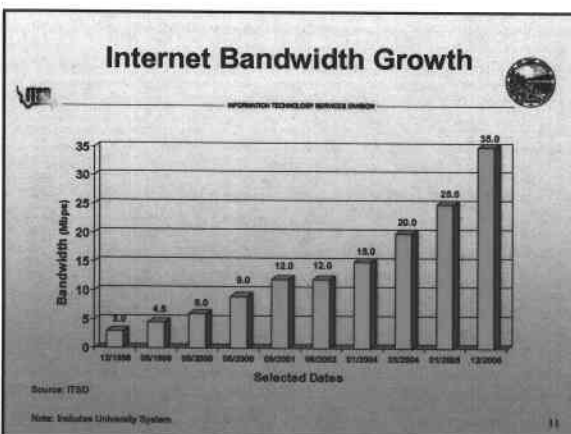
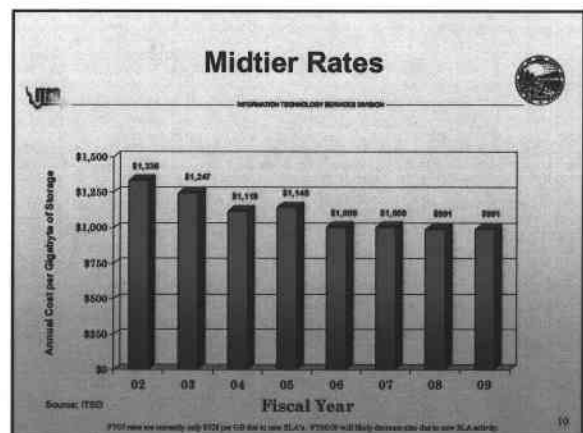
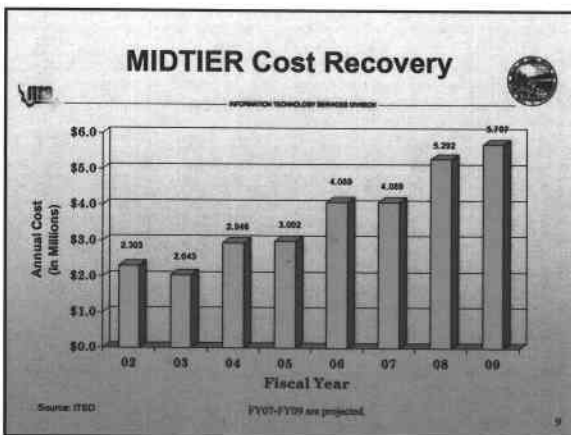
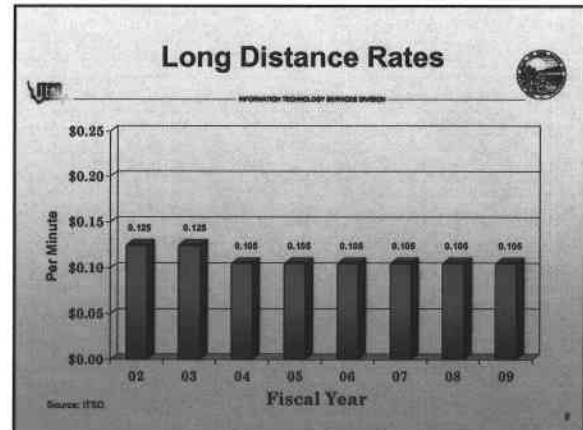
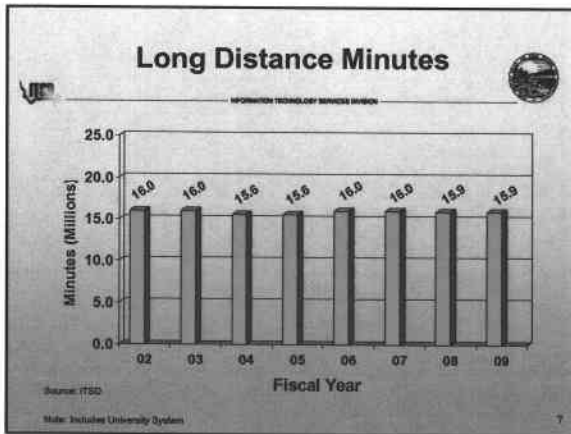
The ITSD Cost Recovery Information System (CRIS) is designed to provide ITSD managers and financial staff with a management tool in order to prepare, administer, and monitor the adequacy and equity of all ITSD rates. It also provides interested parties such as the Office of Budget and Program Planning, the Legislative Fiscal Analysts Office, and other state and federal agencies a mechanism for readily assessing ITSD's cost recovery process and procedures in a systematic logic manner. The system uses historical and projected data as the basis for calculating rates. CRIS is audited annually by both Federal and State entities.

CRIS Process Broad Overview:

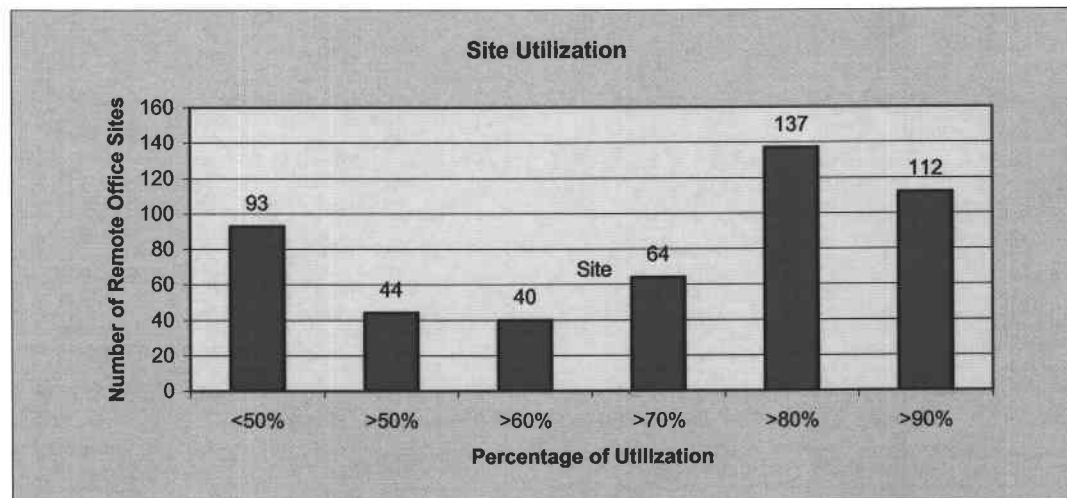
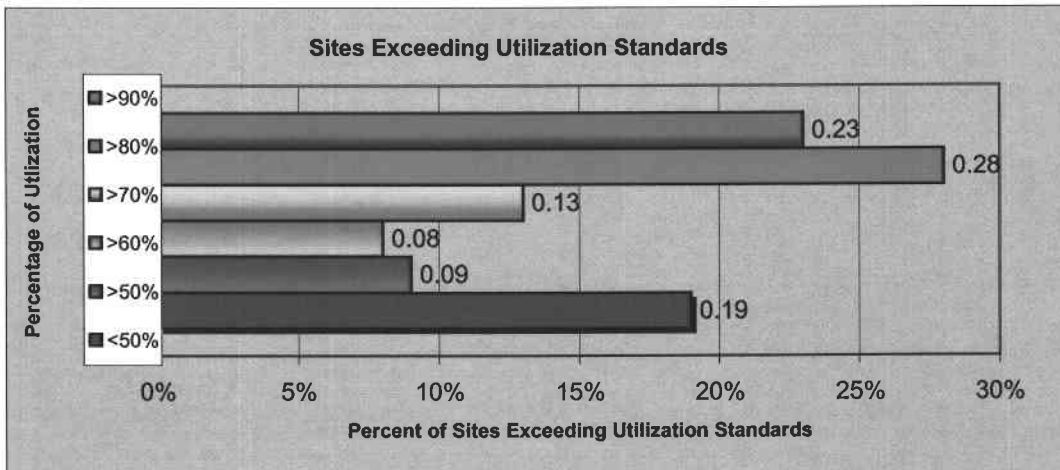
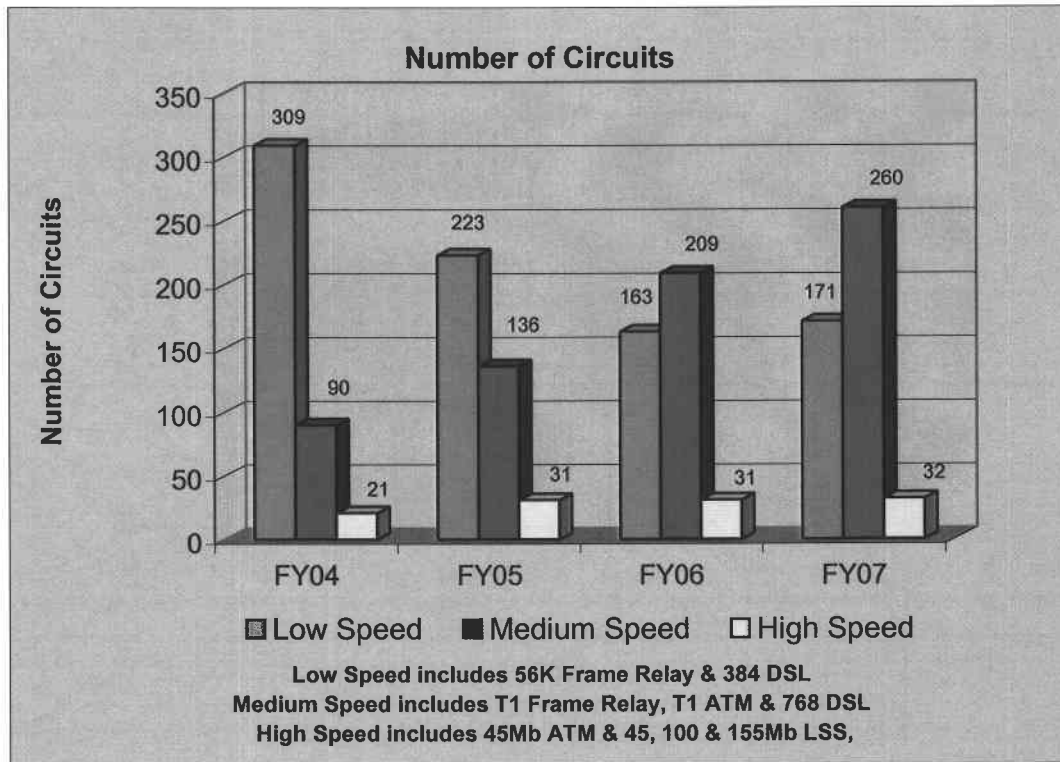
- Start out with base year expenditures for each Service Category or line of business.
- Input adjustments for:
 - Personal Services (OBPP Snapshot)
 - Equipment Maintenance Contracts
 - Software Maintenance Contracts
 - Operating Expenses
 - Depreciation and Equipment
 - OBPP Approved EPP items
- Survey Customers (Agencies) for upcoming projected service needs
- Input additional adjustments to meet customer needs
 - Equipment
 - Service Support
- Total expenses for each Service Category are populated.
- Utilization for each Service Category must be determined
 - ITSD estimates
 - Agency Surveys
- Current rates are multiplied by projected utilization to receive projected revenues
- Rates are adjusted to make revenues commensurate with expenses
- Total Revenues and Total Expenses are presented by each Service Category
- Net Income (Loss) is calculated for each major service and total for ITSD.

In order to be flexible enough to support agency needs, ITSD seeks the ability to continue to charge various rates in order to maintain a 30-day working capital, except that the desktop services rate may not exceed \$85.75 FY08 and \$90.50 in FY09 per statewide active directory account and the web services fee may not exceed \$0.012 per visit.





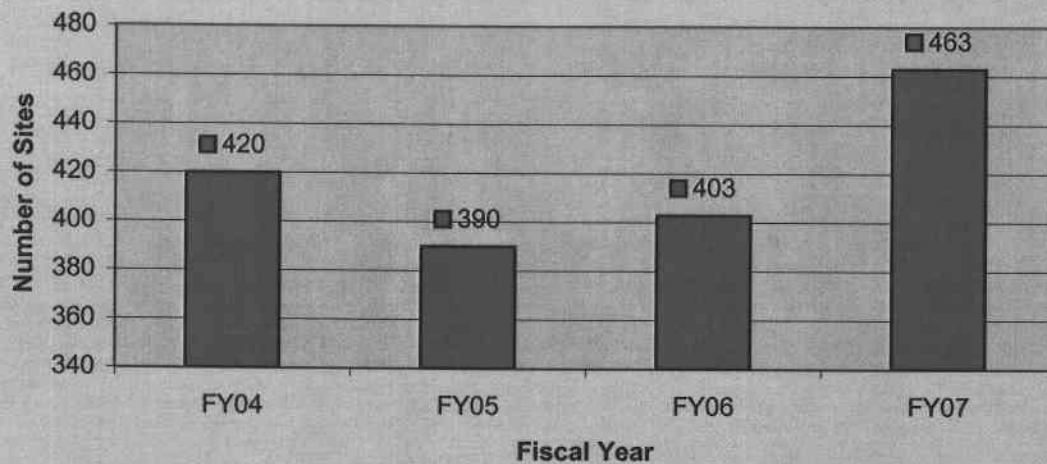
Network Site Fact Sheet



Remote Circuit Information

	FY04	FY05	FY06	FY07
56K Frame Relay	309	205	121	108
384 DSL	0	18	42	63
T1 Frame Relay	80	122	189	237
768 DSL	0	10	18	23
T1 ATM	10	4	2	0
45Mb LSS	13	10	10	9
45Mb ATM	5	11	11	12
100Mb LSS	0	7	7	7
155Mb LSS	3	3	3	4
	420	390	403	463
Low Speed	309	223	163	171
Medium Speed	90	136	209	260
High Speed	21	31	31	32
	420	390	403	463

Network Site Growth



2009 Biennium Report on Internal Service and Enterprise Funds

Fund	Fund Name	Agency #	Agency Name	Program Name				
6522	ISD Proprietary	6101	Department of Administration	Information Technology Services Division				
			Actual FY04	Actual FY05	Actual FY06	Budgeted FY07	Budgeted FY08	Budgeted FY09
Operating Revenues:								
Fee revenue								
Desktop Services			10,412,759	10,701,177	12,171,356	11,433,793	13,879,476	14,584,224
SABHRS Services			4,651,176	4,796,865	6,336,890	-	-	-
Long Distance			2,973,515	2,861,497	2,745,999	3,105,000	3,081,500	3,081,500
Telephone Equipment			2,421,120	2,305,756	2,565,389	1,953,000	1,903,200	1,909,485
Computer Processing			8,617,436	8,967,605	10,853,613.57	8,806,031	10,515,969	10,965,518
Other Charges For Services			3,308,234	2,600,000	2,534,605	2,344,923	3,215,148	3,588,379
Net Fee Revenue			32,384,240	32,232,900	37,207,852	27,642,747	32,595,293	34,129,106
Investment Earnings			-	-	-	-	-	-
Securities Lending Income			-	-	-	-	-	-
Premiums			-	-	-	-	-	-
Other Operating Revenues			103,946	73,776	89,105	-	-	-
Total Operating Revenue			32,488,186	32,306,676	37,296,957	27,642,747	32,595,293	34,129,106
Operating Expenses:								
Personal Services			9,289,923	10,630,506	11,258,576	8,294,193	11,117,326	11,135,478
Other Operating Expenses			20,615,353	22,872,433	23,994,334	20,516,313	23,802,229	23,169,229
Total Operating Expenses			29,905,276	33,502,939	35,252,910	28,810,506	34,919,555	34,304,707
Operating Income (Loss)			2,582,910	(1,196,263)	2,044,047	(1,167,759)	(2,324,262)	(175,601)
Nonoperating Revenues (Expenses):								
Gain (Loss) Sale of Fixed Assets			(8,438)	(30,031)	(14,248)	-	-	-
Federal Indirect Cost Recoveries			-	-	-	-	-	-
Other Nonoperating Revenues (Expenses)			-	-	-	-	-	-
Net Nonoperating Revenues (Expenses)			(8,438)	(30,031)	(14,248)	-	-	-
Income (Loss) Before Operating Transfers			2,574,472	(1,226,294)	2,029,799	(1,167,759)	(2,324,262)	(175,601)
Contributed Capital			-	-	-	-	-	-
Operating Transfers In (Note 13)			67,812	-	-	-	-	-
Operating Transfers Out (Note 13)			-	-	-	-	-	-
Change in net assets			2,642,284	(1,226,294)	2,029,799	(1,167,759)	(2,324,262)	(175,601)
Total Net Assets- July 1 - As Restated			4,111,620	7,176,209	5,819,754	7,845,744	6,677,985	4,353,722
Prior Period Adjustments			422,305	(130,161)	(3,810)	-	-	-
Cumulative effect of account change			-	-	-	-	-	-
Total Net Assets - July 1 - As Restated			4,533,925	7,046,048	5,815,944	-	-	-
Net Assets- June 30			7,176,209	5,819,754	7,845,744	6,677,985	4,353,722	4,178,121
60 days of expenses								
(Total Operating Expenses divided by 6)			4,984,213	5,583,823	5,875,485	4,801,751	5,819,926	5,717,451
45 days of expenses								
(Total Operating Expenses divided by 8)			3,738,160	4,187,867	4,406,614	3,601,313	4,364,944	4,288,088
30 days of expenses								
(Total Operating Expenses divided by 12)			2,492,106	2,791,912	2,937,743	2,400,876	2,909,963	2,858,726

Requested Rates for Internal Service Funds						
Fee/Rate Information						
	Actual FYE 04	Actual FYE 05	Actual FYE 06	Budgeted FY 07	Budgeted FY 08	Budgeted FY 09
Information Technology Services						
Desktop Services	45-Day	45-Day	30-Day	30-Day	30-Day	30-Day
SABHRS Services	Working	Working	Working	Working	Working	Working
Long Distance	Capital	Capital	Capital	Capital	Capital	Capital
Telephone Equipment	Reserve	Reserve	Reserve	Reserve	Reserve	Reserve
Computer Processing						
Other Charges For Services						
Note:						
The Information Technology Services Division seeks the ability to continue to charge various rates in order to maintain a 30-day working capital, except that the desktop services rate may not exceed \$85.75 in FY08 and \$90.50 in FY09 per statewide active directory account and the web services fee cannot exceed \$0.012 per visit.						

Authority
MCA 2-17-301
MCA 2-17-501

INFORMATION TECHNOLOGY SERVICES DIVISION

WORKING CAPITAL ANALYSIS

Fiscal Year		Balance	Days	% of Budget
FY01	\$	1,738,065	22	6%
FY02	\$	1,420,735	17	4.7%
FY03	\$	1,945,085	25	6.7%
FY04	\$	758,707	8	2.2%
FY05	\$	1,758,215	21	5.7%
FY06	\$	2,780,756	28	7.6%
FY07	\$	1,969,072	26	7.0%
FY08	\$	(355,190)	-4	-1.0%
FY09	\$	(530,792)	-6	-1.5%

Note 1: 1 day working capital equals approximately \$95,000 in the 09 Biennium.

Note 2: There is no cash reserve built into ITSD's budget. The working capital represents the only financial flexibility ITSD has to deal with the timing differences between revenues and expenses and unexpected expenditures (often revenues lag expenses such as payrolls, etc.).

Note 3: This projection assumes there is no error in utilization projections, some of which are based on good faith estimates by agencies. Estimates of utilization that are higher than actual use have a direct (downward) effect on the number of days of working capital.

Note 4: FY07 - FY09 are projected.

INFORMATION TECHNOLOGY SERVICES DIVISION

Efficiencies/Cost Savings Calendar Year 2006

	Brief Efficiencies/Cost Savings Description	On-Going Annual Cost Savings	One-Time Cost Savings
1	Community Network Aggregation	\$ 29,376	
2	IVR Equip Maint Contract Amendment	19,529	
3	BMC Software maint renegotiation		\$ 37,555
4	IBM new pricing model	153,036	
5	Consolidation of Oracle Web Servers	52,800	240,000
6	Replacement of IBM Oracle database servers	31,640	160,000
7	Replacement of IBM Oracle web servers	112,200	510,000
8	Negotiated FileNet Client License Agreement	165,705	636,451
9	Renegotiated SABHRS Oracle/PS appl maint contracts		27,000
10	Switching LSS circuit to Dark Fiber	35,520	
11	Renegotiated with Qwest on ISDN PR1 and DSS DS1s	144,060	
12	VisionNet contract extension	64,585	
13	PBX Self Maintenance	200,000	
14	VisionNet and Qwest DSL upgrades	125,000	
15	CenturyTel project with MetroEthernet services in Flathead	14,100	
16	Elimination of the mainframe TIVOLI NETVIEW	49,200	
17	Implementation of VMWare and physical placement	4,008	
	Totals	\$ 1,200,759	\$ 1,611,006



ITSD's Desktop Services Rate

INFORMATION TECHNOLOGY SERVICES DIVISION

The purpose of ITSD's Desktop Services Rate is to support the PC on a state employee's desk and the connection that PC has to the rest of state government and the world and to provide a number of additional enterprise wide services. Following is high-level description of the services ITSD provides through the Desktop Services Rate.

What is included in ITSD's Desktop Services Rate?

SummitNet Wide Area Network (WAN)

- SummitNet is the State of Montana's wide area network that connects entities all across the state including 500 government offices, counties, cities, K-12 schools, the University System, non-profit organizations and other qualifying entities. ITSD supports, maintains and upgrades SummitNet.
- Firewall security hardware, software and administration.

Local Area Networks (LANs)

- PC connections to the LANs (Local Area Networks including the jacks in the walls and all of the electronics, software, support and maintenance necessary for those connections to work).
- Management of all user profiles and devices on the network (PC's, printers, servers).
- The ability to use client server applications.

Internet and Intranet Services

- High speed internet access for all desktop users with filtering to prevent inappropriate use and firewall based security to protect State computers and data from unauthorized access.
- Technical support for all components of the internet and intranet connection and related administration.
- E-government Services to provide online services to citizens through the State Internet Portal (DiscoveringMontana.com).
- State Intranet Portal MINE (Montana Information Network for Employees) development and maintenance.

Customer Support Center (Help Desk)

- The Customer Support Center provides a central point of contact for ITSD customers to report any information technology related problems. Calls are entered into an on-line problem tracking system and (if not immediately resolved) assigned to the appropriate section in ITSD. Calls are tracked until final resolution is reached. Customers can call for normal assistance from 8:00 a.m. to 5:00 p.m. Monday through Friday and on an emergency basis 24 hours a day, seven days a week.

Security

- ITSD provides data security consulting services and auditing to help customers maintain the confidentiality, integrity and availability of their data.

Enterprise Purchased Software Licenses and Support

- E-mail and calendar software and services with "spam" filtering.
- Office productivity suite (word processing & spreadsheet).
- Virus protection and anti-"spyware" software.
- Automated, centrally managed software maintenance facilities (patch & software update distribution).
- Network operating systems for file and print services.
- Enterprise database management software for PC's and server platforms.
- Statistical analysis software.
- Universal document readers and on-line manuals.
- Software to perform backups for distributed servers.
- Mainframe terminal emulation to connect PC's to legacy applications.
- Application development tools.
- Directory services for security and user management.
- Remote desktop network access.

Agency Purchased Software Support (licenses not provided by ITSD)

- PC Operating System
- Web browser and Web server
- Web page builder
- Drawing and graphics editor
- Reporting tools

Non-Operational Services

(a portion of the following services are provided in this rate)

- State Chief Information Officer
- Enterprise IT Strategic Planning
- Enterprise IT Project Management
- Enterprise IT Policy and Standards Development
- Agency IT Procurement Review and Approval
- Enterprise IT Procurement
- Term contract management for PC's, laser printers, Management Information Services (MIS), Enterprise software licenses

INFORMATION TECHNOLOGY SERVICES DIVISION **Desktop Services Rate Breakdown**

	<u>FY08</u>	<u>FY09</u>
Current FY06 Base Rate \$	72.60	\$ 72.60
FY08-09 Cost Recovery Info System (CRIS) Adjustments		
Network Expansion & Support	7.91	8.61
Office of Cyber Protection/Security	4.33	2.26
Montana Information Technology Act Expenditures	7.49	6.53
Architecture and Internet Services Bureau - breakout of web portior	(1.79)	(1.80)
Desktop Support	6.75	1.31
GIS Bureau - allocated to different funding source	(0.96)	(0.96)
Customer Relations & Admin	4.07	4.20
	<hr/>	<hr/>
	100.40	92.75
EPP Items		
707 Enterprise Directory	0.81	0.81
709 Network & Server Investment	0.63	1.21
713 Network Support Position	0.38	0.38
723 MITA Audit Staffing	0.75	0.75
734 Remote Office Support	0.86	0.86
	<hr/>	<hr/>
Requested Rates	\$ 103.83	\$ 96.76
OBPP Approved Rates	<hr/> 85.75	<hr/> 90.50
Under funded	\$ (18.08)	\$ (6.26)
Future efficiencies, cost savings or reduction in services:	\$ 2,074,606	\$ 317,306

Working Capital Fact Sheet

Allowing proprietary programs to manage rates under set working capital limits (e.g. 45-days, 60-days) provides the following advantages:

- Working capital provides the capability to meet cash flow and service-level requirements over time, especially when the budgetary cycle is lengthy, such as a biennium
- Provides a program with the ability to react to unforeseen changes in demand.
- Provides a program with the ability to react to unforeseen changes in cost.
- Consistent with Federal Circular A-87, which provides for a 60-day working capital limit
- Allows agencies to manage to changes in account receivable cycles
- Allows the program to operate more as a business within government
- Control is provided through the fact that agencies are budgeted at the projected rates
- Programs historically have not provided increases unless absolutely necessary
- Programs have historically not exceeded their working capital limits. When this has happened, the program has lowered rates. Audited as part of department's biennial financial audit.
- The Legislative Finance Committee heard this issue in June 2002 and chose to not act on the matter